

LAW OFFICES
NEAL, GERBER & EISENBERG

TWO NORTH LA SALLE STREET
CHICAGO, ILLINOIS 60602-3801
(312) 269-8000
www.ngelaw.com



PETER H. BARROW
(312) 269-8479

FAX: (312) 269-1747
PBARROW@NGELAW.COM

July 2, 2002

VIA FEDERAL EXPRESS

Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

RECORDATION NO. 24026 FILED

JUL 8 '02 12-24 PM

SURFACE TRANSPORTATION BOARD

Dear Secretary:

I have enclosed one original and one counterpart copy of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code.

The document is a security agreement dated June 27, 2002.

The names and addresses of the parties are:

Debtor/Mortgagor: N.R.E. Acquisition Co., L.L.C.
1300 Kentucky Avenue
Paducah, Kentucky 42003

Secured Party/Mortgagee: LaSalle Bank National Association
135 South LaSalle Street
Chicago, Illinois 60603

A description of the equipment covered by the document follows:

Railroad cars, locomotives and accessories used on such railroad cars and locomotives, including:

1. 1980 SW 14 Locomotive, Locomotive V.V. 1425, Serial No. 4093-2, A.A.R. mechanical designation: 0440.
2. 1973 SD40-2 Locomotive, Locomotive N. 500 772, Serial No. 73634, A.A.R. mechanical designation: 0660.

NEAL, GERBER & EISENBERG

Secretary
Surface Transportation Board
July 2, 2002
Page 2

A fee of \$30.00 payable to Secretary, Surface Transportation Board is enclosed.
After recordation, please return the original to:

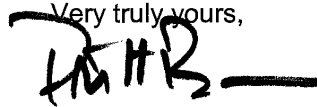
Peter H. Barrow
Neal, Gerber & Eisenberg
Two North LaSalle Street, Suite 2400
Chicago, IL 60602

A short summary of the document to appear in the index follows:

Security Agreement between LaSalle Bank National Association, 135 South LaSalle Street, Chicago, IL 60603, and N.R.E. Acquisition Co., L.L.C., 1300 Kentucky Avenue, Paducah, Kentucky 42003, dated June 27, 2002 and covering railroad cars, locomotives and accessories used on such railroad cars and locomotives, including:

1. 1980 SW 14 Locomotive, Locomotive V.V. 1425, Serial No. 4093-2, A.A.R. mechanical designation: 0440.
2. 1973 SD40-2 Locomotive, Locomotive N. 500 773, Serial No. 73634, A.A.R. mechanical designation: 0660.

Very truly yours,

A handwritten signature in black ink, appearing to read "PHB", followed by a horizontal line.

Peter H. Barrow

PHB:beh
Enclosure

RECORDATION NO. 24026 FILED

SECURITY AGREEMENT
(Railroad Car/Locomotive)

JUL 8 '02 12-24 PM
SURFACE TRANSPORTATION BOARD

THIS SECURITY AGREEMENT (the "Agreement") is made and entered into as of June 27, 2002, by and between **N.R.E. ACQUISITION CO., L.L.C.**, a Kentucky limited liability corporation, (hereinafter referred to as "Borrower"), having a mailing address of 1300 Kentucky Avenue, Paducah, Kentucky 42003; and **LASALLE BANK NATIONAL ASSOCIATION**, a national banking association (hereinafter referred to as "Lender"), having a mailing address of 135 South LaSalle Street, Chicago, Illinois, 60603.

IT IS AGREED BY THE PARTIES AS FOLLOWS:

1. Definitions. In addition to the other terms defined in this Agreement, whenever the following capitalized terms (whether or not underscored) are used, they shall be defined as follows:

"Code" means the Uniform Commercial Code, as enacted in the State of Illinois, as amended from time to time.

"Railcar Collateral" means (i) all of Borrower's rights, titles and interests in and to all railroad cars, locomotives or other rolling stock and accessories used on such railroad cars, locomotives or other rolling stock (including superstructures and racks), including cabooses, bulkhead flat cards, box cars, open top hoppercars, wood rack cars, gondolas and all other rail and rolling stock as may be further described in Schedule 2 attached to and made a part of this Agreement; (ii) all certificates of title and all other evidence of title pertaining to the foregoing; (iii) all books, records and files of whatever type or nature, whether or not written, stored electronically or electromagnetically or in any other form, relating to any or all of the foregoing; (iv) all of the products and proceeds of all of the foregoing, including proceeds of any insurance; and (v) all of the foregoing, whether now owned or existing or hereafter acquired or arising, or in which Borrower now has or hereafter acquires any rights or interests.

2. Grant of Security Interest. For valuable consideration, the receipt of which is hereby acknowledged by the Borrower, and to secure the indebtedness and undertakings and other Obligations referred to in Section 3 hereof, including but not limited to those evidenced by or established pursuant to the "Loan Documents" defined Schedule 1 to this Agreement, Borrower hereby pledges, assigns, transfers, and grants to Lender a continuing security interest in the Railcar Collateral, together with all instruments, documents, securities, cash, property, and the proceeds of the Railcar Collateral, owned by Borrower or in which Borrower has an interest or which are in transit by mail or carrier to or in the possession of any third party acting on behalf of Lender, without regard to whether Lender received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether Lender had conditionally released the same; and all cash or non-cash proceeds of any of the foregoing.

3. Obligations Secured. This Agreement is made as collateral security for, and the security interest granted in the Railcar Collateral secures all of the indebtedness and obligations described in Schedule 1 attached to and made a part of this Agreement (hereinafter sometimes referred to collectively as the "Obligations").

4. Representations and Warranties. Borrower represents and warrants to Lender that:

4.1 Borrower is the owner of the Railcar Collateral free from all liens and security interests as of the date hereof except for the liens and security interests created by this Agreement.

4.2 Borrower has the right to enter into this Agreement, the execution and performance of which will not, either immediately, or with notice and/or passage of time, result in the creation or imposition of any encumbrance upon any of the Railcar Collateral except as granted hereby.

4.3 The Railcar Collateral is used for business purposes, and [i] all of the Railcar Collateral is physically located at and [ii] the registered office of Borrower in Kentucky and the principal and chief executive offices of Borrower are located at, the address for Borrower first set forth in this Agreement, or at such address and such other locations as have been disclosed to Lender by Borrower in Exhibit A attached to and made a part of this Agreement (subject, however, to the movement of the Railcar Collateral in the ordinary course of Borrower's business).

4.4 At no time since its formation has Borrower operated under any assumed name or other name than the name of Borrower first set forth in this Agreement.

4.5 Borrower does not own any locomotives or railcars except as identified on Schedule 2.

5. Covenants. Borrower agrees with Lender that until the Obligations have been paid in full and discharged to the satisfaction of Lender, Borrower:

5.1 Will execute and deliver to Lender all documents required pursuant to 49 U.S.C. §11301 (and successor provisions) and the regulations thereunder, information, legal descriptions, UCC-1 and other Financing Statements, certificates of title, applications for title, lien noting applications and all other evidence of title, and such other documents and instruments pertaining to the Railcar Collateral as are necessary in the sole opinion of Lender to create, perfect, maintain, preserve and enforce the security interest of Lender in the Railcar Collateral.

5.2 Will defend the Railcar Collateral against the claims and demands of all persons; comply in all material respects with all applicable federal, state and local statutes, laws, rules and regulations, the noncompliance with which could have a material adverse effect on the value of the Railcar Collateral or the security intended to be afforded Lender hereby; and pay all ad valorem property taxes which constitute or may constitute a lien against any of the Railcar Collateral, prior to the date when penalties or interest would attach to such taxes.

5.3 Will maintain or cause to be maintained, with financially sound and reputable insurers, such insurance with respect to its properties, assets and business, against loss or damage of the kinds customarily insured against by enterprises of established reputation engaged in the same or a similar business and similarly situated, of such types and in amounts as are customarily carried under similar circumstances by such other enterprises.

Without limiting the generality of the foregoing, Borrower will, if requested by Lender, insure the Railcar Collateral at Borrower's expense against such risks, in such amounts, and with such insurers as Lender may request. Such policies of insurance shall contain waiver of subrogation clauses, shall name Lender as an insured-loss payee pursuant to a standard lender's endorsement and shall provide that such policies may not be cancelled or modified except on thirty (30) days' prior written notice thereof from the insurer to Lender and otherwise shall be on terms satisfactory to Lender. Borrower shall promptly deliver the original or, at the option of Lender, certificates of all such insurance policies to Lender and shall also cause to be delivered to Lender all renewals thereof. Borrower shall also deliver to Lender at least ten (10) days prior to the respective due dates, renewal dates or expiration dates of such policies, proof of advance payment of all premiums thereof. If Borrower fails to obtain such insurance, Lender shall have the absolute right (but not the obligation) to obtain same at Borrower's expense, and Borrower shall reimburse Lender therefor, with interest thereon at the rate of interest per annum from time to time equal to Lender's announced "Prime Rate" plus 2.0% (such interest rate is referred to hereinafter as the "Applicable Rate"), immediately upon Lender's demand.

Borrower hereby assigns to Lender all rights to receive proceeds of all insurance which is or may be required pursuant to this Section 5.3, not exceeding the unpaid balance of the Obligations to Lender, and authorizes Lender as the agent of Borrower and its attorney-in-fact to obtain such proceeds and to endorse and negotiate any draft for such proceeds in Borrower's name or otherwise. In the event of damage or destruction of any of the Railcar Collateral covered by such insurance, any proceeds from such insurance shall upon request of Lender, be paid to Lender and, at the option of Lender, be applied either to reduce the Obligations, or endorsed to Borrower and disbursed from time to time by Lender at Borrower's written request but only for the repair and/or replacement of such damaged or destroyed Railcar Collateral. While such insurance proceeds are in the possession of Lender, Lender shall have and hereby is granted by Borrower a first and prior security interest in such proceeds and cash and in all the repaired and replaced Railcar Collateral, and Borrower shall execute all such instruments in connection therewith as Lender shall require.

5.4 Will keep the Railcar Collateral in good condition and repair, reasonable wear and tear excepted, and will permit Lender and its designees to inspect the Railcar Collateral and the books and records of Borrower at any reasonable time and from time to time.

5.5 Will maintain accurate records of the Railcar Collateral, and will permit Lender, upon request by Lender from time to time, to inspect the Railcar Collateral and all evidence of ownership of the Railcar Collateral and all other books and records relating to the Railcar Collateral.

5.6 Will advise Lender in writing, at least thirty (30) days prior thereto, of any change in the Borrower's principal place(s) of business, or chief executive office, or any change in the locations where any of the Railcar Collateral is kept (subject, however, to the movement of the Railcar Collateral in the ordinary course of Borrower's business), or of any change in Borrower's name or the adoption, whether formal or informal, by Borrower of any "trade name" or "assumed name."

5.7 Will preserve and maintain its corporate existence in good standing and will be and remain qualified to do business in good standing in all jurisdictions in which required

to be so qualified, and will maintain all permits, licenses and other similar authorization necessary or appropriate for the operation of its business.

5.8 Will not permit any part of the Railcar Collateral, or any of the records concerning same, to be removed from the present locations thereof without the prior written consent of Lender, provided such consent is not unreasonably withheld (subject, however, to the movement of the Railcar Collateral in the ordinary course of Borrower's business).

5.9 Will not permit any liens or security interests to attach to any of the Railcar Collateral except the security interests created by this Agreement.

5.10 Will not permit any material part of the Railcar Collateral to be levied upon under any legal process.

5.11 Will not sell, assign, lease or otherwise dispose of any of the Railcar Collateral except in the ordinary course of business prior to an Event of Default and when such disposal of Railcar Collateral shall not have a material adverse effect on the business of Borrower, without the prior written consent of Lender.

5.12 Will not permit anything to be done that may impair the value of any of the Railcar Collateral or the security intended to be afforded (material to the assets or the businesses of the Borrower or the value of the security hereunder) by this Agreement.

5.13 Will not permit any of the Railcar Collateral to become an accession or improvement to, or affixed to, other property in which Lender does not hold a security interest.

5.14 Will not permit any accounts or other sums owed to Borrower to be evidenced by a note or other instrument without the prior written consent of Lender, which consent may be conditioned upon delivery by Borrower to Lender of the note or other instrument, endorsed by Borrower to the order of Lender.

6. Impositions; Protection of Lender's Interests. To protect, perfect, or enforce, from time to time, Lender's rights or interest in the Railcar Collateral, Lender may, in its discretion (but without any obligation to do so), (i) discharge any liens at any time levied or placed on the Railcar Collateral, (ii) pay any insurance, (iii) maintain guards where any Railcar Collateral is located if an Event of Default has occurred and is continuing, and (iv) obtain any record from any service bureau and pay such service bureau the cost thereof. All costs and expenses incurred by Lender in exercising its discretion under this Section 6 will be part of the Obligations, payable on Lender's demand and secured by the Railcar Collateral.

7. Lender's Duty of Care. Lender shall have no duty of care with respect to the Railcar Collateral except that Lender shall exercise reasonable care with respect to the Railcar Collateral in Lender's custody. Lender shall be deemed to have exercised reasonable care if (i) such Railcar Collateral is accorded treatment substantially equal to that which Lender accords its own property or (ii) Lender takes such action with respect to the Railcar Collateral as Borrower shall request in writing; however, neither (a) Lender's failure to comply with any such request or to do any such act requested by Borrower nor (b) Lender's failure to take steps to preserve rights against any persons in such Railcar Collateral shall be deemed a failure to exercise reasonable

care. Borrower agrees that Lender has no obligation to take steps to preserve rights against any prior parties.

8. Appointment of Attorney-in-Fact. The Borrower hereby irrevocably appoints Lender as Borrower's attorney-in-fact to do all acts and things which Lender may deem necessary or appropriate to perfect and continue perfected the security interest in the Railcar Collateral granted pursuant to this Agreement and to protect the Railcar Collateral, including, but not in any way limited to, the execution and filing of any security agreement, UCC-1 and other Financing Statements covering the Railcar Collateral in Borrower's name, as Borrower's attorney-in-fact, wherever and whenever Lender deems appropriate. All fees and taxes required for or in connection with filing such security agreements and Financing Statements shall be paid for by the Borrower on demand of Lender and if paid by Lender, the Borrower shall provide reimbursement therefor, with interest thereon at the Applicable Rate, immediately upon request of Lender.

9. Events of Default. The occurrence of any "Event of Default" as defined in any of the Loan Documents referred to in Schedule 1 to this Agreement shall be deemed an "Event of Default" hereunder.

10. Remedies. Upon the occurrence of any Event of Default under this Agreement, Lender may declare all of the Obligations to be automatically and Immediately due and payable in full, without demand or notice of any kind, and Lender shall have all rights and remedies in and against the Railcar Collateral and otherwise of a secured party under the Uniform Commercial Code of Illinois (or such other state where any part of the Railcar Collateral may be located, if applicable) and all other applicable laws, and shall also have all rights and remedies provided herein, and in any other agreements between the Borrower and Lender, all of which rights and remedies shall, to the fullest extent permitted by law, be cumulative. Lender shall have the right to sell the Railcar Collateral at public or private sale(s) in one or more lots. Lender shall have the right to have the Railcar Collateral and all of the records pertaining to the Railcar Collateral delivered to Lender by Borrower at a place reasonably convenient to Lender and Borrower. If the Railcar Collateral consists in whole or in part of accounts, general intangibles and/or contract rights, Lender shall have the right to notify all obligors of any of the same that the same have been assigned to Lender and that all payments thereon are to be made directly to Lender, and to settle, compromise, or release, on terms acceptable to Lender, in whole or in part, any amounts owing on such accounts, general intangibles and contract rights, and to enforce payment and prosecute any action or proceeding with respect to same, and to extend the time of payment, make allowances and adjustments to and issue credits in the name of Lender or Borrower. Borrower will pay, as part of the Obligations secured hereby, all amounts, including but not limited to Lender's reasonable attorneys' fees, where permitted by applicable law, and all sums paid by Lender [i] for taxes, levies and insurance on, repair to, or maintenance of, the Railcar Collateral, and [ii] in taking possession of, disposing of, or preserving the Railcar Collateral, with interest on all of same at the Applicable Rate. Lender may bid upon and purchase any or all of the Railcar Collateral at any public sale thereof. Lender may dispose of all or any part of the Railcar Collateral in one or more lots and at one or more times and from time to time, and upon such terms and conditions, including a credit sale, as Lender determines in Lender's sole discretion. Lender may sign any indorsements, assignments or other instruments of conveyance or transfer in connection with any disposition of the Railcar Collateral. Lender

may apply the net proceeds of any such disposition of the Railcar Collateral or any part thereof, after deducting all costs incurred in connection therewith, including Lender's reasonable attorneys' fees, and costs and expenses incidental to the holding, or preparing for sale, in whole or in part, of the Railcar Collateral, and with interest thereon at the Applicable Rate, in such order as Lender may elect, to the Obligations and any remaining proceeds shall be paid to Borrower or other party entitled thereto.

11. Notice of Disposition; Allocations. If any notice is required by law to effectuate any sale or other disposition of the Railcar Collateral, (i) Lender will give Borrower written notice of the time and place of any public sale or of the time after which any private sale or other intended disposition thereof will be made, and at any such public or private sale, Lender may purchase all or any of the Railcar Collateral; and (ii) Lender and Borrower agree that such notice will not be unreasonable as to time if given in compliance with this Agreement ten (10) Business Days prior to any sale or other disposition.

12. Termination. This Agreement and the security interest and the rights of Lender hereunder shall terminate on the date that all of the Obligations have been paid in full or otherwise discharged to the complete satisfaction of Lender. Upon such termination, Lender shall, upon request of, and at the cost and expense of Borrower, execute and deliver for filing in each office where any security agreement or financing statement relative to this Agreement shall have been filed, termination statements terminating Lender's interests in the Railcar Collateral.

13. Notices. Except for any notice required under applicable law to be given in another manner, any notice given under this Agreement shall be given to either party hereto at its address set forth above, in writing, by personal delivery, U.S. mail postage prepaid or by any nationally-recognized courier service.

14. Indemnification. In consideration of the execution and delivery of the Loan Agreement and the making of any Loan to Borrower, Borrower will indemnify and hold Lender, and Lender's directors, affiliates, and agents (for the purposes of this Section 14 each is an "Indemnified Party") harmless from and against any and all claims, losses, obligations and liabilities arising out of or resulting from any or all of (i) this Agreement and (ii) the transactions contemplated by this Agreement (including enforcement of this Agreement), except for claims, losses or liabilities resulting from an Indemnified Party's gross negligence, bad faith or willful misconduct. The indemnification provided for in this Section 14 is in addition to, and not in limitation of, any other indemnification or insurance provided by Borrower to Lender.

15. Acknowledgments and Waivers. Borrower agrees that the whole or any part of the Railcar Collateral and any other security now or hereafter held for any of the Obligations secured hereby may be exchanged, compromised or surrendered by the Lender from time to time; that any guarantor, now or hereafter, of any of the Obligations, and any pledgors of collateral now or hereafter for any of the Obligations may be released in whole or in part from time to time; that any of the Obligations may be renewed or extended or accelerated, in whole or in part from time to time; that any of the provisions of any of the Loan Documents or of any other instrument or agreement securing, guaranteeing or otherwise pertaining to the Obligations may be modified or waived on one or more occasions; and that Borrower and the Railcar Collateral pledged hereunder shall remain bound hereunder notwithstanding any such exchanges,

compromises, surrenders, extensions, renewals, accelerations, indulgences or releases, all of which may be effective without notice to or further consent by Borrower and none of which shall affect the right of the Lender to pursue the remedies available to the Lender under this Agreement or otherwise. The ability of Lender to pursue its remedies hereunder with respect to the Railcar Collateral shall be direct and immediate and not conditional or contingent upon the pursuit of any remedies against Borrower or any other person or entity or against any or all of the other security or liens available to the Lender for the payment of the Obligations secured hereby. Borrower hereby waives any claim to marshalling of assets, any right to require that any action be brought against Borrower or any other person or entity prior to the exercise by Lender of its remedies with respect to the Railcar Collateral, and waives any right to require that resort be had to any security apart from the Railcar Collateral, or to any balance of any deposit account or credit on the books of Lender in favor of Borrower or any other person or entity prior to action by Lender hereunder to realize upon the Railcar Collateral.

16. Other Provisions and Conditions.

16.1 Without limiting the generality of Section 2 hereof, the security interest created by this Agreement attaches to all types of property described in the Agreement and hereafter acquired by Borrower, whether as replacement for any of the Railcar Collateral or otherwise.

16.2 This Agreement shall bind Borrower and its successors and assigns and shall inure to the benefit of Lender and its successors and assigns.

16.3 Time shall be of the essence in the performance by the Borrower of all the covenants, obligations and agreements of Borrower hereunder.

16.4 The invalidity or unenforceability of any provision hereof shall not affect or impair the validity or enforceability of any other provisions of this Agreement.

16.5 As used herein, as appropriate, the singular use includes the plural, and the plural includes the singular.

16.6 All exhibits and schedules attached to this Agreement are an integral part hereof and are incorporated herein as though fully set forth at this point.

16.7 No course of dealing in respect of, nor any omission or delay in the exercise of, any right, power, remedy or privilege vested in Lender by this Agreement shall operate as a waiver thereof, and any waiver by Lender shall only be effective if in writing and signed by an officer of Lender.

16.8 No amendment or modification of any provision of this Agreement, nor consent to any departure by any party therefrom, shall be binding and effective unless the same shall be in writing and signed by a duly authorized representative of Lender, which writing shall be strictly construed.

16.9 The several captions and section headings of this Agreement are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement.

16.10 This Agreement contains the final, complete and exclusive agreement of the parties pertaining to its subject matter and supersedes all prior written and oral agreements pertaining thereto.

16.11 This Agreement may be executed in any number of counterparts and by any combination of the parties to this Agreement in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same Agreement, and it shall not be necessary in order to prove the execution and delivery of this Agreement by all of the parties to it to produce or account for any particular number of counterparts so long as the signature of each of the parties is affixed to at least one of those counterparts which are produced.

17. Governing Law. This Agreement was negotiated in the State of Illinois, the promissory note or notes secured by this Agreement were delivered by Borrower and accepted by Lender in the State of Illinois, and the proceeds of the promissory note or notes secured hereby were disbursed from the State of Illinois, which state Borrower and Lender agree has a substantial relationship to Borrower and Lender and to the underlying transactions in connection with which this Agreement was granted. This Agreement, including matters of construction, validity and performance, and the obligations arising hereunder, shall be construed in accordance with and otherwise governed in all respects by the laws of the State of Illinois applicable to contracts made and performed in such state and any applicable law of the United States of America, except to the extent the UCC provides that matters of perfection and priority of the liens and security interests created by this Agreement shall be governed by the law of another state and except to the extent that enforcement of such liens and security interests in tangible Railcar Collateral is governed by the laws of the state in which such Railcar Collateral is located at the time enforcement is sought.

18. Consent to Jurisdiction and Venue. Borrower hereby consents to the jurisdiction of any state or federal court located within the County of Cook, State of Illinois, and irrevocably agrees that, subject to Lender's sole and absolute election, any actions relating to the Obligations secured hereby shall be litigated in such courts, and the Borrower waives any objection Borrower may have based on improper venue or forum non conveniens to the conduct of any proceeding in any such court. Nothing contained in this Section shall affect the right of Lender to bring any action or proceeding against the Borrower or the property of Borrower in the courts of any other jurisdiction.

19. **WAIVER OF TRIAL BY JURY. THE LENDER AND BORROWER ACKNOWLEDGE THAT THE TIME AND EXPENSE REQUIRED FOR TRIAL BY JURY EXCEED THE TIME AND EXPENSE REQUIRED FOR A BENCH TRIAL AND HEREBY KNOWINGLY, VOLUNTARILY UNCONDITIONALLY AND IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, AND AFTER HAVING CONSULTED OR HAVING HAD AMPLE OPPORTUNITY TO CONSULT THEIR RESPECTIVE LEGAL COUNSEL CONCERNING THE CONSEQUENCES OF SUCH WAIVER, TRIAL BY JURY IN ANY ACTION (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) OR OTHER PROCEEDING BROUGHT TO ENFORCE OR DEFEND AGAINST COLLECTION OF**

**OR OTHERWISE IN CONNECTION WITH THIS AGREEMENT OR THE OTHER
LOAN DOCUMENTS.**

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

“Borrower”

N.R.E. ACQUISITION CO., L.L.C., a Kentucky corporation

By: 

Title: _____

“Lender”

LASALLE BANK NATIONAL ASSOCIATION

By: 

Title: _____

STATE OF ILLINOIS)
) SS
COUNTY OF ~~COOK~~ Will)

The foregoing instrument was acknowledged before me this 27th day of June, 2002, by _____, as _____ of N.R.E. Acquisition Co., L.L.C., a Kentucky limited liability company, on behalf of the Company.

My commission expires: 7-10-2005

Debra L. Radtke

NOTARY PUBLIC



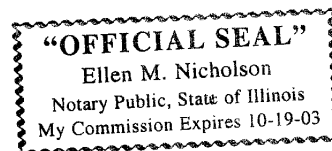
STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

The foregoing instrument was acknowledged before me this 27th day of June, 2002, by Marcus Montanye, as Vice President of LaSalle Bank National Association, on behalf of the Association.

My commission expires: Oct. 19, 2003

Ellen M. Nicholson

NOTARY PUBLIC



Exhibits and Schedules:

Schedule 1	Description of Obligations
Schedule 2	Description of Railcar Collateral
Exhibit A	Offices of Borrower and Locations of Collateral

Schedule 1
to Security Agreement

The "Obligations" referred to in the foregoing Agreement are as follows:

[A] All principal heretofore or hereafter advanced pursuant to, and interest (including any interest due after default and late charges) now or hereafter due under the following, including any renewals and extensions and amendments therefor or substitutions or replacements therefor:

[i] Promissory Note dated as of June 27, 2002 made by the Borrower payable to the order of the Lender in the principal amount of \$3,418,750;

[ii] Promissory Note dated as of June 27, 2002 made by Steven & Susan Building Co., L.L.C., a Louisiana limited liability company ("Building Co."), Steven Beal, a natural person and Susan Beal Frangella, a natural person ("Susan"), payable to the order of the Lender in the principal amount of \$1,631,250;

[iii] Amended and Restated Loan and Security Agreement dated as of July 15, 1995 between National Railway Equipment Co., an Illinois corporation, and the Lender;

[iv] Mortgage Note dated as of November 29, 2001 made by Building Co., Steven and Susan payable to the order of the Lender in the principal amount of \$1,161,000;

[v] Amended and Restated Loan and Security Agreement dated as of February 22, 2000 between NREC Power Systems, Inc., a Louisiana corporation, and the Lender; and

[vi] Mortgage Note dated as of February 25, 1999 made by Steven & Bryan Building Co., L.L.C., a Louisiana limited liability company in the principal amount of \$670,000.

[B] The payment of all sums (including but not limited to loan fees, prepayment premiums and fees and other fees) due under, and the performance of all covenants, conditions and other obligations (after any applicable requirement for notice and opportunity to cure, in each case) due under or in connection with any other promissory note or any applicable loan agreement pertaining to any of the foregoing Promissory Notes and Agreements, and any and all security agreements, mortgages, deeds of trust, guaranties, pledge agreements, assignments, subordination agreements, and any other documents or instruments heretofore, contemporaneously herewith or hereafter entered into by the Borrower or any affiliate of the Borrower (an "Affiliate") to secure or guarantee the payment of the indebtedness evidenced by any of the foregoing Promissory Notes and Agreements, or otherwise entered into in connection with the foregoing Promissory Notes and Agreements, including any amendments of whatsoever nature of any of the foregoing (the foregoing Promissory Notes and Agreements and such loan agreements, security agreements, mortgages, deeds of trust, guaranties, pledge agreements, assignments, subordination agreements, and other documents and instruments securing, guaranteeing or otherwise entered into in connection with the foregoing, including any

amendments of whatsoever nature to any of them, are referred to herein and in the Agreement as the "Loan Documents").

[C] All expenses, costs and charges, of any nature whatsoever, including, without limitation, taxes, assessments, insurance premiums, repairs, rent, storage costs, expenses of collection and sale, and reasonable attorneys' fees, incurred by or for the account of Lender in preserving collateral for the Obligations and/or enforcing or seeking to enforce any of the rights and remedies of Lender under the foregoing or any of the other Loan Documents.

[D] Any overdrafts at any time occurring on any and all checking and all other accounts at any time maintained by the Borrower or any Affiliate with the Lender.

[E] The payment, performance and discharge of any and all obligations and liabilities of Borrower or any Affiliate, whether direct or indirect, absolute or contingent, due or not due, now existing or hereafter arising, in conjunction with any issuance heretofore, now or hereafter by Lender of any letters of credit for the account, in whole or in part, of Borrower or any Affiliate (collectively, and together with any extensions, renewals, amendments, substitutions or replacements for any of them the "Letters of Credit") including but not limited to the obligations of Borrower or any Affiliate contained in any and all applications for the Letters of Credit (collectively, the "Applications") executed and delivered as a condition to issuance of any of the Letters of Credit, and to pay on demand all drafts drawn under the respective Letters of Credit, and to reimburse Lender on demand of Lender for any amounts advanced by Lender, at the option and in the exercise of the sole and absolute discretion of Lender, to satisfy such drafts, and to indemnify Lender from all loss or liability incurred by Lender in connection with the issuance of each of the respective Letters of Credit; and the payment of all fees and all other sums due under, and the performance of all covenants, conditions and other obligations due under or in connection with, the Applications, and any loan and/or reimbursement agreements, security agreements, mortgages, deeds of trust, guaranties, pledge agreements, assignments, subordination agreements, and any other documents or instruments heretofore, contemporaneously herewith or hereafter entered into by Borrower or any Affiliate or any other person or entity, with or for the benefit of Lender to evidence, secure or guarantee payment of any of the Letters of Credit, or otherwise entered into in connection with any of the Letters of Credit (such security agreements, mortgages, deeds of trust, guaranties, pledge agreements, assignments, subordination agreements, and other documents and instruments evidencing, securing, guaranteeing or otherwise entered into in connection with any of the Letters of Credit are referred to collectively as the "Letter of Credit Documents") (for purposes of this Schedule 1 and the Agreement, the Letter of Credit Documents are also part of the Loan Documents).

[F] Any and all obligations, contingent or otherwise, whether now existing or hereafter arising, of Borrower or any affiliate of Lender (a "Lender Affiliate") arising under or in connection with Rate Management Transactions. For purposes of this Schedule 1, the term "Rate Management Transactions" means any transaction (including an agreement with respect thereto) now existing or hereafter entered into among Borrower, Lender or any Lender Affiliate or their successors, which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swam, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction,

currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

[G] All other indebtedness, liabilities and obligations of the Borrower or any Affiliate to Lender of whatever nature, whether now in existence or hereafter created, arising or acquired, whether created directly or acquired by Lender by assignment or otherwise, whether joint or several, whether of the same or different class or type as the indebtedness evidenced by any of the foregoing, and whether or not the creation of same was reasonably foreseeable or would be naturally contemplated by Lender, Borrower or any Affiliate, or any guarantor of or pledgor of collateral for any of the Obligations on or after the date of this Agreement, it being the intention that all of the same be part of the Obligations for all purposes of this Agreement.

SCHEDULE 2
to Security Agreement
(Description of Railcar Collateral)

1. 1980 SW 14 Locomotive, Locomotive No. VMV 1425, Serial No. 4093-2, A.A.R. mechanical designation: 0440.
2. 1973 SD40-2 Locomotive, Locomotive No. 500 773, Serial No. 73634, A.A.R. mechanical designation: 0660.

Exhibit A
to Security Agreement

Complete Street, Mailing, City, County and State Addresses of Borrower's:

1. Registered Office in Kentucky:
1300 Kentucky Avenue
Paducah, Kentucky 42003
2. Principal Place(s) of Business:
1300 Kentucky Avenue
Paducah, Kentucky 42003
3. Chief Executive Offices:
1300 Kentucky Avenue
Paducah, Kentucky 42003
4. Place Where Records Concerning the Railcar Collateral are kept:
1300 Kentucky Avenue
Paducah, Kentucky 42003
5. Place Where Railcar Collateral is kept:
1300 Kentucky Avenue
Paducah, Kentucky 42003